



PRESS STATEMENT

DEMONETIZATION OF THE ZIMBABWE DOLLAR

Welcome Remarks

Ladies and Gentlemen, welcome to the Reserve Bank of Zimbabwe. This Press Conference has been called to provide an update on the process for the demonetisation of the Zimbabwe dollar in pursuant to Sections 41 (2) and 44 (3) of the Reserve Bank of Zimbabwe Act [Chapter 22:25]

Demonetisation Process

The demonetisation of the Zimbabwe dollar was pronounced by the Minister of Finance and Economic Development in the 2014 National Budget as well as in the Mid-term Fiscal Review and in my January 2015 Monetary Policy Statement.

A lot of work has been done since January 2015, culminating in the commencement of the demonetisation process that is due to start on 15 June 2015 and ending on 30 September 2015. The work involved banks supplying the information relating to bank balances and the

Reserve Bank authenticating these with the information which was already in its possession.

A Statutory Instrument to deal with the Demonetisation of the Zimbabwe dollar and will be gazetted on Friday 12 June 2015.

Demonetisation is a Necessity

Demonetisation is the act or process of removing the legal status of a currency unit. In our case the currency unit is the Z\$ that we are demonetising. Demonetisation is necessary whenever there is a change of national currency. The old unit of currency must be **retired** or **decommissioned**.

Zimbabwe adopted the multiple currency system or dollarization in 2009 and it is therefore necessary to demonetise the Z\$ unit to replace it with the multiple currency system as was approved in the Finance (No. 2) Act of 2009. The decommissioning of the Z\$ has therefore been pending and long outstanding since 2009.

Demonetisation is not compensation for the loss of value of the Z\$ due to hyper-inflation. It is an exchange process.

Demonetisation is an important and necessary process to align with best practice and, in the case of Zimbabwe, to comply with the multiple currency system. We cannot have two legal currency systems.

We need therefore to safeguard the integrity of the multiple currency system or dollarization in Zimbabwe. Demonetisation is therefore critical for policy consistency and for enhancing consumer and business confidence.

Multiple Currency System

This policy intervention is necessary to buttress Government's commitment to the multiple currency system. In the January 2015 Monetary Policy Statement, I alluded to the conditions precedent before any change from the multicurrency system can be entertained. To avoid any doubts, I highlighted the need for the following conditions:

- i) Foreign exchange reserves equivalent to one year import cover;
- ii) Sustainable Government budget;
- iii) Low and stable interest rate environment;
- iv) Sustainable level of consumer and business confidence;
- v) Confidence in the financial sector; and
- vi) Creation of Job opportunities.

Demonetisation Window

The demonetisation process which will run from 15 June 2015 to 30 September 2015 will deal with all non-loan bank accounts as at 31st December 2008 as well as cash held by the public. Cash holders can exchange their holdings at any bank, building society, POSB and Zimpost.

All cash pay-outs under the demonetisation process shall be exempted from bank charges and Government tax, and would be disbursed on a “no questions” asked basis. The Bank has already discussed the payment modalities with the banks.

After 30 September 2015 bank notes that have not been exchanged shall be considered demonetised or decommissioned.

Bank Account Holders

Banks will pay the equivalent US\$ amount for each account balance as at 31 December 2008 converted as follows:

- a) Accounts with balances of Zero to Z\$175 quadrillion will be paid a flat US\$5.
- b) Accounts with balances above Z\$175 quadrillion will be paid the equivalent value after applying the UN exchange rate of US\$1/Z\$35 quadrillion or US\$1/Z\$35,000 (revalued).

The banking public should visit their banks to establish the balances which were in their accounts. We have interacted with the banks and they still have all the information, which we as the Reserve Bank also authenticated.

Walk-in Cash Customers

Banks will exchange ZW\$ cash for US\$ equivalent for walk-in cash customers at an exchange rate of Z\$250 trillion to US\$1 for 2008 note series and Z\$250 to US\$1 for 2009 note series.

Cash customers will get their exact US\$ equivalent of the converted amount, starting from US1 cent up to US\$50. Where the US\$ equivalence exceeds US\$50, payment will be made through their respective bank accounts. Corporate customers' US\$ equivalent will be credited into their respective bank accounts.

Banks will accept all notes, with or without value from customers on behalf of the Reserve Bank of Zimbabwe.

The following Tables highlight what each denomination will receive on conversion of their cash holdings.

2009 Note Series

Denomination	Year of Issue	Conversion Rate	Value per piece (US\$)
500	2009	250	2.00
100	2009	250	0.40
50	2009	250	0.20
20	2009	250	0.08
10	2009	250	0.04
5	2009	250	0.02

2008 Note Series

Denomination	Year of Issue	Conversion Rate	Value per piece (US\$)
100 trillion	2008	250 trillion	0.40
50 trillion	2008	250 trillion	0.2
20 trillion	2008	250 trillion	0.08
10 trillion	2008	250 trillion	0.04

NB trillion has 12 zeroes

Where an individual has denominations which are not highlighted here and they amalgamate to give value banks will pay the equivalent.

I Thank You.

DR J P MANGUDYA
GOVERNOR
RESERVE BANK OF ZIMBABWE

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